



FISCAL MEMORANDUM

HB 152 - SB 289

February 14, 2023

SUMMARY OF BILL AS AMENDED (003793): Creates the *Annual Coverage Assessment Act of 2023*, which extends an annual coverage assessment on hospitals of 4.87 percent of a covered hospital's annual coverage assessment base to FY23-24, based on revenue from calendar year 2019. Authorizes the use of funds within the Maintenance of Coverage Trust Fund (MCTF) for programs and initiatives developed by the Division of TennCare (Division) in consultation with the Tennessee Hospital Association to offset the unreimbursed costs of providing services to TennCare enrollees and the financial consequences of the public health emergency.

FISCAL IMPACT OF BILL AS AMENDED:

**Increase State Revenue – \$691,646,600/FY23-24/
Maintenance of Coverage Trust Fund**

**Increase State Expenditures – \$93,360,100/FY22-23/
Maintenance of Coverage Trust Fund
\$812,449,100/FY23-24/
Maintenance of Coverage Trust Fund**

**Increase Federal Expenditures – \$243,679,900/FY22-23/
Maintenance of Coverage Trust Fund
\$1,540,015,200/FY23-24/
Maintenance of Coverage Trust Fund**

The Governor's proposed budget for FY23-24, on page A-32, recognizes revenue in the amount of \$622,396,700 in state funds and \$1,161,923,100 in federal funds.

Assumption:

Fiscal Year 22-23 Expenditures:

- The proposed legislation will allow the Division to spend MCTF funds in an amount so that a total of \$337,040,000 for other programs and initiatives developed to offset the unreimbursed costs of providing services to TennCare enrollees and the financial consequences of the public health emergency.

- Further this provision of the proposed legislation will become effective upon becoming law and the Division expects to spend these funds in FY22-23 with a federal match rate of 72.30 percent.
- The increase in state expenditures in the MCTF will be \$93,360,080 [$\$337,040,000 \times (100\% - 72.30\%)$] in FY22-23.
- The increase in federal expenditures will be \$243,679,920 ($\$337,040,000 \times 72.30\%$) in FY22-23.
- According to the Division, MCTF began FY22-23 with \$191,988,846. The fund is not tracked throughout the year. All charges and deposits for the year are applied at the end and beginning of the fiscal years. The Division estimates approximately \$600,000,000 in FY22-23 collections and approximately \$510,266,381 in FY22-23 charges. Therefore, there is approximately \$281,722,465 in the MCTF for these FY22-23 expenditures [$(\$600,000,000 - \$510,266,381) + \$191,988,846$].

Fiscal Year 23-24 Expenditures:

- Based on information provided by the Division and the Tennessee Hospital Association, the 4.87 percent annual coverage assessment on hospital net revenues (as reported to Centers for Medicaid Services) will result in an increase in revenue to the MCTF of \$691,646,578.
- Additionally, \$120,802,500 of current MCTF dollars will be expended as a result of the proposed legislation, resulting in \$812,449,078 ($\$691,646,578 + \$120,802,500$) of expenditures qualifying for federal matching funds.
- It is estimated \$175,000 for ADT contract payments and \$1,426,700 for stipends for healthcare professionals who commit to work in designated medically underserved areas of this state will be expended at a state rate of approximately 50.0 percent and will receive federal matching funds at a rate estimated to be 50.0 percent. The resulting increase in federal funds will be approximately \$1,601,700 [$(\$175,000 + \$1,426,700)/50.0\% \times 50.0\%$].
- It is estimated \$810,847,378 ($\$812,449,078 - \$175,000 - \$1,426,700$) will receive matching funds at a rate of 65.485 percent federal funds to 34.515 percent state funds. The resulting increase in federal funds will be \$1,538,413,459 [$(\$810,847,378 / 34.515\%) \times 65.485\%$].
- The total increase in federal funds will be \$1,540,015,159 ($\$1,601,700 + \$1,538,413,459$).
- The total impact to the MCTF is approximately \$2,352,464,237 ($\$812,449,078 + \$1,540,015,159$).

IMPACT TO COMMERCE OF BILL AS AMENDED:

Increase Business Revenue – \$2,352,464,200/FY23-24

Increase Business Expenditures – Less than \$2,352,464,200/FY23-24

Assumptions for the bill as amended:

- Hospital providers will incur an increase in revenue of \$2,352,464,237 in FY23-24 to cover costs of services provided.
- Hospital providers will incur an increase in expenditures of up to \$2,352,464,237 in FY23-24 to pay for services provided.
- The proposed legislation will not increase the number of hospital providers. It merely deals with the way providers are reimbursed; therefore, any impact to jobs in Tennessee is estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

/ch